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Hiring Teens for Summer Work

by Nathan Weber

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NEWLY AVAILABLE tax credits, plus further corporate experience, are said to be responsible for advances in summer youth-employment programs administered by private-sector coalitions in 14 major cities during 1983. Two measures of success—an increase in the number of youths hired, and a gain in the number of corporations participating—were reported by almost all of the programs.

Such improvements, however, are relative only to the experience of the same or similar programs during the previous Summer, 1982.¹ In terms of impact on overall youth unemployment, most of the private-sector programs made no more headway than the government operations that preceded them. (All private-sector coalitions reported on in this survey include participation by local government or social agencies.)

Continued advances in youth hires can be anticipated for the coming Summer, according to program administrators, primarily because the factors that accounted for the gains last Summer are still in evidence. They include earlier planning and more experience, leading to a greater degree of professionalism; a federal tax credit that results in substantial savings for employers; a high level of enthusiasm among project staffs; and continued growth in the economy.

Significant gains for the Summer of 1983 were reported in seven cities: Cleveland, which increased youth placements eight-fold over the 1982 season; Chicago, which more than tripled its placements; Miami and Baltimore, which both obtained more than twice the year-before number of jobs; Houston, San Francisco, and Boston. Only Detroit, a city that continues to reel under the severe economic declines of the past decade, reported no increase in hires. Nevertheless, about 400 Detroit youths were given jobs, the same number as in 1982. Their pay was funded through private industry contributions.

The New York City project again placed the highest number of youths: 19,798, an increase of 4,000 over the previous Summer. Houston again placed the second highest, over 5,000, which also represents a sizable increase. The results of 1982 and 1983 for all 14 cities are compared in the table on page 4.

¹See Leonard Lund and Nathan Weber, *Summer Youth Employment: The Corporate Experience*, The Conference Board, Research Bulletin No. 141, 1983.

Youth Unemployment

Notwithstanding these successes, the youth unemployment picture in the 14 cities and on the national level remained bleak, with rates significantly greater than those of the adult labor force. As determined by the U.S. Bureau of Labor Statistics, youth unemployment in the nation for August, 1983, was 23 percent, virtually unchanged since August, 1982. For black youths, the rate rose during the year to a startling 53 percent.

Youth unemployment in the 14 cities ranged from a low of 18.5 percent in Seattle to a high of 44.6 percent in Chicago. These citywide figures—the latest available—are for 1982.

Both the citywide and the national unemployment figures, as developed by the Bureau of Labor Statistics, tend to *understate* the actual situation. The Federal Government does not include, as “officially unemployed,” those who have given up seeking work after a long period of fruitless job searches. Nor does it define as youths those who are over 19—whereas job programs accommodate people up to the age of 21. Furthermore, the unemployment figure for some of the cities pertains not to the city alone, but to the Standard Metropolitan Statistical Area (SMSA), which encompasses suburbs. Suburbs generally comprise a much higher number of white youths, whose unemployment rate tends to be one-half that of minority youths—thus diluting the center city statistics.

New Developments

Several developments affected the private-sector summer youth-employment picture in 1983:

On the national level, they included the Job Training Partnership Act, for which operations were being put into place even prior to the Act's effective date of October 1, 1983; and the Targeted Jobs Tax Credit (TJTC), which enabled employers to deduct 85 percent of the summer salaries they paid for certain youths.

On a local project level, developments included earlier planning, with many of the coordinators beginning activities a full year in advance; greater participation of top management, small business, and community groups; special grants

Private Summer Employment Programs Placed More Youths in 1983

	Youth Unemployment ¹		Job Goals		Placements		Private- Sector Placements		Public- Service Placements		Corporate Participants	
	1981	1982	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983
Baltimore	21,000 (21.6%)	21,000 (24.7%)	1,000	2,000	1,740	3,780	800	2,400	940	1,380	350	1,506 ^d
Boston*	17,000 (14.2%)	23,000 (21.3%)	750	1,000	852	1,181	852	1,008	0	173 ^a	152	242
Chicago	34,000 (36.1%)	36,000 (44.6%)	None	None	730	2,591	700	1,410	30	1,181 ^b	45	113
Cleveland*	14,000 (20.6%)	14,000 (21.3%)	None	1,000	125	1,007	0	505	125	502	24	111
Detroit*	50,000 (25.9%)	63,000 (31.6%)	None	None	400	400	0	008	400	392	16	5
Houston	8,000 (13.0%)	17,000 (28.8%)	5,100	3,000	3,000	5,000	3,000	5,000	0	0	N.A.	3,500
Los Angeles*	56,000 (22.0%)	52,000 (22.6%)	8,500	7,500	6,940	7,436	6,900	7,429	0	7	2,000	2,000
Miami*	9,000 (17.8%)	17,000 (30.2%)	None	None	940	2,010	940	2,000	0	10	60	125
New York City	46,000 (31.2%)	42,000 (31.0%)	15,000	16,000	15,789	19,798	15,789	19,698	0	100 ^c	1,500	2,000
Omaha ²	5,219 (14.1%)	5,056 (18.9%)	None	None	310	370	310	369	0	0	10	133
Pittsburgh	17,000 (20.8%)	15,000 (20.3%)	None	None	210	215	0	0	210	215	25	53
Richmond	N.A.	N.A.	1,500	1,500	1,086	1,177	815	815	271	362	300	300
San Francisco*	23,000 (18.6%)	24,000 (21.7%)	None	1,000	806	1,262	800	1,215	6	11	650	800+
Seattle* ³	15,000 (23.6%)	11,000 (18.5%)	250	1,015	276	2,604	0	0	276	2,604	20	30

¹Unless otherwise indicated, unemployment figures are from U.S. Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*, 1981 and 1982 editions, U.S. Government Printing Office.

*Standard Metropolitan Statistical Area. Where no asterisk appears, the figures are for the central city.

²Projections by Nebraska Department of Labor. ("1982" figures are projections for July, 1984.) Percentage figures are averages for two age groups: 16-17 year olds and 18-19 year olds.

³1983 figures for goals, placements and participants represent a total of three separate public programs now administered by the Private Industry Council. The 1982 figures apply to one of those programs, funded and jointly operated by a single corporation.

^aIncludes 94 youths working in small businesses.

^bIncludes 300 youths with community groups, 100 in corporate training programs, and 781 in work-study cooperative projects.

^cPlaced in small and minority-owned businesses.

^dIncludes corporations that made donations as well as providing jobs. 1982 figure refers only to corporations providing jobs.

and innovations by a number of oil companies; and the growing use of the youths themselves in project operations.

Job Training Partnership Act

The Job Training Partnership Act (JTPA), which replaces the Comprehensive Employment and Training Act (CETA), did not become effective until October 1, 1983, but preliminary activities were set in motion up to a year earlier, as the CETA projects were being phased out.

Essentially, the JTPA eliminates almost all funding for public works jobs and for the living expenses of trainees.

It replaces a single federal administration with 57 state and territorial apparatuses, and funds on-the-job training—as opposed to actual employment—for lower-income individuals. Income limits have been tightened, reducing the number of eligible applicants.

Under JTPA's Title I, each governor is authorized to establish a State Job Training Coordinating Council to administer the program. Councils, in turn, will recommend designation of Service Delivery Areas (SDA's), or geographic sections of the state, to receive training funds. An SDA, in effect, will be any municipality or other governmental unit—or group of units—with a population of at

least 200,000. Under CETA, localities needed a population of only 100,000 to qualify.

Within each SDA, local elected officials will appoint Private Industry Councils (PIC's) to establish policy and monitor the localized program. Actually, many PIC's were created as far back as 1978 under a CETA amendment. Although their aim then was to obtain permanent jobs in private industry and train unemployed workers to fill them, they often performed a largely advisory function.

Under the new Act, PIC's are granted considerably more authority, in effect assuming responsibility formerly exercised by the municipal agencies and other sponsors that operated CETA programs. A majority of PIC membership, as well as the chairman, must be representative of business and industry, with the remaining membership reflecting the points of view of education, organized labor, community groups, economic development agencies, rehabilitation services, and the public employment service.

Title II of the JTPA pertains to the training programs, of which 90 percent will be geared to the economically disadvantaged, and 10 percent to others facing serious employment barriers. This title also provides funding for a separate Summer Youth Employment and Training Program. One innovation here is that 14- and 15-year-olds may be accepted into summer projects, where appropriate, and that "supportive services"—undefined in the Act—may be established for these youths.

Other titles authorize training for dislocated workers; continuation of federal programs for Native Americans, migrant farm workers, and veterans; amendments to the 1933 Wagner-Peyser Act (which established the network of public employment services); and amendments to the Social Security Act's Work Incentive Program.

How successful the newly empowered PIC's will be is open to question. According to the National Alliance of Business (NAB), a group that lobbied for passage of the JTPA and that has long supported private-sector leadership of job programs, several factors have combined to hamper a smooth transition from CETA to JTPA. Chief among these factors is the sheer complexity of transferring administrative authority from one national center to 57 state centers. Other problems include delays in designating Service Delivery Areas; a number of natural disasters on the state level occurring at the same time state JTPA operations were to be established; and the inexperience of newly appointed PIC members. Success of the PIC's and of the Act itself, according to the NAB, will depend on "how involved and committed the partners really are."²

Targeted Jobs Tax Credit

Liberalization of the Targeted Jobs Tax Credit (TJTC) has made hiring youths for summer positions much more

attractive to private employers, according to several project administrators. In 1983, for the first time, companies received a credit of 85 percent of the first \$3,000 paid to low-income 16- or 17-year-old youths hired for 90 days during the Summer. Employers utilizing the credit might receive a net tax benefit of over 70 percent, depending on the firm's tax bracket. (See box on page 6.)

For the first three quarters of fiscal 1983, according to the U.S. Department of Labor, over 164,000 youths were certified for employers wishing to take advantage of the TJTC. Although figures for the total population of youths who could qualify were not available as of this writing, it is likely that the previous low utilization rate is being reversed. (According to a study prepared by the General Accounting Office, only about five percent of disadvantaged youths eligible for the tax credit program were hired between 1980 and 1982.)³

In a highly innovative use of the TJTC, one major oil company was able to employ six times as many youths as it had planned to, without increasing its budget. (See below for details.)

Earlier Planning, Greater Professionalism

After the Summer of 1982, most of the private sector coordinators reached by The Conference Board announced efforts to begin planning immediately for the following year. In part, early planning was necessary to prepare for the JTPA; in part, this reflected a high degree of enthusiasm among the staff in virtually every city.

Earlier planning included professionalizing some of the projects.

In Chicago, for example, coordinators hired paid staff for 1983; the previous summer's program was staffed by volunteers. One result: a tripling of youths employed in that city.

Coordinators for projects in Omaha and New York City both reported improvements in matching applicants to jobs, another reflection of earlier planning.

Elsewhere, plans to professionalize operations included participation in seminars and consultations with the New York City project, which remains the largest such undertaking in the nation. Year-round planning now seems to be the norm.

Increased Participation

Corporate management, small business, and community groups all increased their involvement in 1983, according to administrators.

In Miami (Florida), for example, the Chief Executive Officer of Ryder Corporation and the Vice-President of WTVJ-TV, co-chaired the project.

²"JTPA: Where Do We Go From Here?", *Work-America*, National Alliance of Business, Washington, D.C.: October, 1983, p. 4.

³United States General Accounting Office, *The Targeted Jobs Tax Credit Program* (PAD-83-44), Table 7. Washington, D.C., June 8, 1983.

How the Tax Credit Works

Case: 40 hours a week for 11 weeks, at \$3.35 an hour

	46% Tax Bracket	25% Tax Bracket	15% Tax Bracket
Wage expense	\$1,474	\$1,474	\$1,474
85% credit	(1,253) 221	(1,253) 221	(1,253) 221
Employment taxes ¹	144	144	144
Reduction (federal)	365 (168)	365 (91)	365 (55)
Final cost per employee	197	274	310
Cost per hour	.45	.62	.70

¹FICA and unemployment compensation will vary by state and company.

Prepared by Standard Oil Company (Indiana)

The Los Angeles program considered its "most notable improvement" to be the increased involvement of many CEO's, a direct result of the leadership of First Interstate Bankcorp's Chairman of the Board.

Boston's project was said to have received a significant boost when the Chairman of the First National Bank of Boston sent out an appeal for jobs on his own stationery.

In Chicago, Illinois Bell management agreed to pay for word-processing facilities used by the summer employees. (All the 1982 summer "graduates" of Illinois Bell are now reported to be employed full time in other word-processing jobs.)

Even in Pittsburgh, which still had to depend on subsidized public-service jobs, corporate involvement more than doubled over the previous Summer, in large part due to the efforts of the Chairman of National Intergroup, who also served as Chairman of the Pittsburgh-Allegheny PIC.

Religious institutions, YMCA's and other community groups also agreed to increased participation in many areas. Aside from volunteering staff, community groups placed youths, salaried through corporate contributions, on public-service projects such as cleaning and restoring vacant lots, and performing home repairs for senior citizens. With salaries subsidized through donations, small businesses, too, took on youths as employees.

Government agencies on the local, state and county level continued to play an important role, often providing the means by which youths were referred to jobs. Cooperation by a mayor or county executive most often took the form of presiding over the opening breakfast for corporate

employers, and of issuing video announcements and press releases.

Oil Company Innovations

Through a creative use of the Targeted Jobs Tax Credit by Standard Oil Company (Indiana), 124 youths were employed in Chicago at full salary on a budget originally scheduled for only 24 youths. The oil company asked the Internal Revenue Service if it could avail itself of the special tax credits by paying the salaries of youths who would then perform work for not-for-profit agencies and Amoco service station lessees. The IRS agreed, with one stipulation. Amoco service stations were all acceptable because they were related to Standard's business, but the agencies participating had to provide business training jobs related to work skills typically utilized by the company. Consequently, 50 youths were placed with Amoco service stations and another 50 with social-service agencies. (The original 24 worked in Standard's central office.)

"We call this technique the 'Multiplier for Jobs,' " explained Standard's manager of employee relations. "We were able to hire six times as many kids without increasing the expenditure budgeted. The service stations and the community groups, meanwhile, received labor that they didn't have to pay for. Our only requirement from those groups was that the youths obtain real work-related skills. That includes everything from pumping gas to word processing."

The executive noted, however, that the IRS ruling applied *only* to Standard Oil of Indiana. However, a General

Revenue Ruling is anticipated in 1984 which will permit other companies to follow Standard's approach. Standard Oil has prepared a videotape which explains the broader Chicago program as well as the use of the special tax credit.⁴

Other oil companies participated through special donations. Mobil provided a major grant by which 250 youths were placed in nonprofit jobs in Chicago. Chevron's grant enabled the Miami project to hire a professional administrator. Gulf contributed \$50,000 and technical assistance to each of the projects in Atlanta, Pittsburgh, Philadelphia, New Orleans, and Houston.

Youth Activities

While the primary interest of young people in the summer employment process is to secure a job, several coordinators also engaged youths in the actual operation of the project.⁵ In New York City, two youths served as project co-chairmen while numerous others staged almost daily walkathons (under supervision), soliciting jobs for themselves from stores and other establishments along commercial strips. "The aim was to help them with self-confidence," explained the Philip Morris executive who oversaw the summer project for the New York City Partnership. Youths were also featured heavily in the project's advertisements, which were directed as much to the teenage population as to employers. "I believe that youths should be advocates for their peers," this executive said.

The Seattle program, which combined three separate public-service projects under the supervision of the Seattle-Kings County Private Industry Council, enabled 30 youths to create their own "companies" which, in fact, realized profits. Under the Youth Enterprise Self-Employment Project, teenagers received training in the basics of entrepreneurialism, and then created their own mini-service firms—washing cars, making deliveries, and so forth.

In San Francisco, job seekers participated in publicity efforts through the annual paint-in, a spray-can competition in which the young artists vied for jobs in corporate art departments by creating their own posters. All posters were shown on buses, television and in other public spaces.

Elements of the Program

Most of the projects incorporated a number of similar elements, tailored to the circumstances of their respective

⁴For information on the videotape, contact Chicago United, 6 North Michigan Avenue, Chicago, Illinois 60602.

⁵Under CETA, prime sponsors were legally required to establish a youth council, or to include youths in an overall planning council. This is not required under JTPA.

cities. Often one or more of the elements was funded, or sponsored, by a single company or foundation.

- *"Kick-off" breakfast*, primarily for major business employers. The purpose of these affairs, usually held in early Spring and presided over by the mayor, is to formally announce the project, explain new developments (such as the Targeted Jobs Tax Credit), and secure job pledges.

- *Massive mailing to prospective employers*, usually consisting of appeals for jobs by a recognized corporate leader or head of a business coalition, such as the National Alliance of Business or the Chamber of Commerce. In some instances, letters accompany utility and credit-card bills.

- *Phonathons*, staffed by corporate and community volunteers, or employees from the state employment service. The aim, again, is to solicit jobs, money and other forms of cooperation from the private sector.

- *Hot line*, a single telephone number for everybody to call for information—youths, companies, reporters, community groups, and so on. This is the number that will be placed on every piece of publicity throughout the campaign, including letters, posters, bumper stickers, electronic sign announcements, press releases, and television commercials.

- *School connections*. Increasingly summer jobs are being used to accomplish a secondary goal: Improvement of academic performance. Jobs are often promised first to students who show improvement in attendance and grades. On the other hand, many employers, recognizing the difficulties faced by out-of-school youths, target at least some of their efforts to this group.

- *Slogan*. Projects often develop a slogan to reinforce the youth-employment message as often and as memorably as possible. The slogan in Miami was "Let's Show Our Kids How America Works." Los Angeles used "First Break: Give a Kid a Job."

- *Media coverage*. An extensive press campaign usually accompanies every phase of the project, as the role of the media is considered essential to success. Often a public relations or advertising firm will take responsibility for publicity on a pro bono basis.

Program administrators stressed repeatedly that the effectiveness of each of these elements, and of the youth-employment project as a whole, depends primarily on one factor: increased involvement by private companies. "The fact is that anyone can participate," explained the administrator of the New York project. "From the *Fortune* 500 to the neighborhood deli."